

Message Text

CONFIDENTIAL

PAGE 01 BONN 05407 281641Z

ACTION NODS-00

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CONFIDENTIAL BONN 05407

NODIS

E.O. 11652: XGDS-1
TAGS: EFIN, EAID, PO, GW
SUBJECT: ECONOMIC ASSISTANCE TO PORTUGAL

REF: (A) STATE 64026; (B) BONN 5298

1. I DISCUSSED AID TO PORTUGAL WITH FINANCE MINISTER APEL TODAY AND STRESSED THE POINTS CONTAINED REFTEL A. APEL RESPONDED ALONG FAMILIAR LINES, I.E., NO FUNDS POSSIBLE OUT OF THE FEDERAL BUDGET, PORTUGAL ONLY ONE OF MANY PROBLEM COUNTRIES WITH OTHERS TO FOLLOW, GERMAN PREFERENCE FOR FINANCING AID TO PORTUGAL THROUGH IMF, ETC. STATE SECRETARY POEHL, WHO ATTENDED THE MEETING, INDICATED THAT HIS CONVERSATIONS WITH WITTEVEEN LEFT HIM SOMEWHAT MORE OPTIMISTIC ON TIMING OF FURTHER IMF ASSISTANCE THAN WE WERE. POEHL ALSO SAID THAT HE WOULD BE MEETING WITH UNDER SECRETARY COOPER AND TREASURY UNDER SECRETARY SOLOMON TONIGHT IN BASEL (AT A MEETING OF THE BELLAGIO GROUP) AND HOPED TO EXPLORE THE PROBLEM FURTHER WITH THEM THERE.

2. APEL SAID THAT AS FINANCE MINISTER, HE, OF COURSE, WAS PARTICULARLY RELUCTANT WHENEVER IT CAME TO THE EXPENDITURE OF GERMAN FUNDS. THAT WAS HIS JOB. OUR FEELING THAT THE IMF ROUTE WAS NOT A

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WORKABLE ALTERNATIVE AT THIS TIME, OF COURSE, FORCED HIM TO RECONSIDER HIS POSITION. HE ALSO WAS UNDER CONSIDERABLE PRESSURE FROM BRANDT AND OTHERS TO AID PORTUGAL. APEL STRESSED THAT HE WAS, OF COURSE, NOT IN A POSITION TO GIVE US THE GERMAN ANSWER TO OUR REQUEST -- THAT WAS A MATTER FOR THE CHANCELLOR OR THE FOREIGN MINISTER. HE, APEL, HAD NOT YET HAD A

CHANCE TO TALK TO CHANCELLOR SCHMIDT ABOUT PORTUGAL, BUT REALIZED THAT HE MUST DO SO AND THAT THE CHANCELLOR OWED PRESIDENT CARTER AN ANSWER TO HIS LETTER.

3. POEHL SAID THAT HE REMAINED OPTIMISTIC THAT SOMETHING COULD BE DONE. THERE MIGHT BE A NUMBER OF WAYS, WHICH HOWEVER HE WAS NOT YET READY TO DISCUSS. HE MENTIONED AS AN EXAMPLE THAT THE GERMAN CABINET LAST WEEK APPROVED A VERY LARGE EXPORT GUARANTY FOR PORTUGAL -- APEL INTERJECTED THAT HE HAD VOTED AGAINST IT SINCE THERE WERE NO PROSPECTS OF IT EVER BEING REPAYED. (COMMENT: WHILE NEITHER SAID SO, THIS OBVIOUSLY INVOLVES THE GERMAN NUCLEAR POWER PLANT FOR PORTUGAL.)

STOESSEL

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